Alberta Foreign Offices Review Committee

FINAL REPORT

to

THE MINISTER OF INTERNATIONAL & INTERGOVERNMENTAL RELATIONS

on

ALBERTA'S INTERNATIONAL OFFICE NETWORK

Alberta

Executive Summary

The Importance of Alberta's International Offices

Alberta's economic present and future is reliant on actively participating in the global marketplace. In 2006, trade and investment accounted for nearly 70% of Alberta's Gross Domestic Product (GDP). Alberta's international marketplace is becoming more global, with Alberta organizations stretching their wings beyond the "safe" confines of North America. While the United States remains Alberta's largest trading partner, the thickening of the Canada-US border, new opportunities abroad, and the expectation that emerging economies will soon succeed the US, are causing Alberta companies to consider markets further afield than their traditional markets.

Distances between markets may be shrinking with technology facilitating global partnerships, but developing those relationships in the first place has never been more challenging. The Western rules of business are not universal, and do not apply in many of the world's growing markets. Personal relationships and ongoing contact is paramount in these new markets. Competition is fierce. Costs are high. There are numerous challenges facing Alberta internationally, and without quality in-market support, many organizations will turn away from global opportunities. Alberta can not afford to be left behind.

Positioning Alberta for the Future

The Alberta Foreign Offices Review Committee met with representatives from Alberta's private and public sector to gauge their needs and interests in the international arena, and receive feedback on Alberta's existing international offices. Overall, from a user-standpoint, the offices were deemed to be extremely helpful, especially for small and medium-sized organizations exploring international opportunities. Rather than duplicating efforts that Alberta organizations could provide for themselves, Alberta's international offices provide services that most organizations lack the capacity or ability to provide for themselves. As well, international office staff are recognized as having the skills and expertise necessary to be of service to Alberta organizations active in their respective markets.

The biggest criticism of Alberta's international office network is that it is limited in the locations it serves. Alberta is well-represented in key markets in the Asia Pacific region, Europe, and North America, but clearly lacks representation in the rest of the world. Emerging economic powers that will be integral for Alberta's future are not reflected in the current network of international offices. To secure the province's economic future, this situation must be rectified.

While Alberta is currently in an economic position that is favorable to expanding the network in a significant way, the Committee recognizes there is more benefit to limiting expansion to a number of strategic locations, enhancing some of the existing offices

through staffing or other means, and considering other means of marketing Alberta in non-priority markets. The rationale behind this approach directly reflects private and public sector feedback about the significant loss of support endured as a result of previous reductions to Alberta's international office network in leaner times. The intent in recommending a strategic expansion that benefits Alberta's needs in the present and the future, is to ensure these new offices will endure the test of time, servicing Albertans over the long term.

After considering Alberta's present needs internationally, and looking to the province's economic future in the global marketplace, the Committee provides the following recommendations for Alberta's international office network, which are grouped into similar themes, and numbered according their order of appearance in the Report:

Recommendations Related to the Expansion and Redistribution of Resources Allocated to Alberta's International Office Network

10. An Alberta international office be established in India.
15. An Alberta international office be established in California.
16. An Alberta international office be established in Brazil.
12. Alberta establish representation dedicated to serve the Russian market.
9. Alberta's international office resources in China be redistributed to establish a presence in Shanghai.
11. Consideration be given to establishing an Alberta-EU representative or regionally-based EU policy monitor.
13. The Middle East be more thoroughly examined as a potential location for establishing a future Alberta presence.
14. Follow through at the earliest opportunity to implement the decision to place an Alberta representative in Ottawa.

Recommendations Related to the Efficient Operations of Alberta's International Office Network

1. A cost-benefit analysis of the international offices be completed as part of the annual reporting process.
2. Alberta continue hiring representatives who have skill sets that reflect the mandate of each international office, to ensure the effectiveness and success of the offices.

3. International, Intergovernmental and Aboriginal Relations work with Corporate Human Resources to develop a language skills training program for potential candidates for future postings to Alberta's international offices.
5. Consideration be given to developing a post-secondary internship program with Alberta's international offices.

Recommendations Related to the Coordination and Scope of the Government of Alberta's International Activities.

4. Provincial departments that undertake international initiatives should make use of Alberta's international office network, and contribute resources as necessary.
6. Employment, Immigration and Industry work with International, Intergovernmental and Aboriginal Relations to support the placement of additional personnel in Alberta's United Kingdom and Germany offices to focus on labour attraction initiatives in those regions.
7. Alberta's international offices network be utilized for labour attraction initiatives in those markets where Alberta has a presence, and additional resources (human and financial) be provided to offices that are significantly burdened to support labour attraction initiatives.
8. Further consideration be given to how Alberta can draw on Alberta expatriates and alumni now living abroad.

Introduction

In early 2007, Honourable Guy Boutilier, Minister of Alberta International, Intergovernmental and Aboriginal Relations, established the Alberta Foreign Offices Review Committee to consider the value and relevance of Alberta's international offices. While internal assessments of the offices have been conducted in recent years, the international office network had not been formally reviewed in more than a decade.

Given the changes to the global environment and emerging shifts in the world economy, Minister Boutilier appointed the Alberta Foreign Offices Review Committee with a mandate to assess the international offices against Alberta's current and emerging needs, as well as review the offices' mix of services, locations, resources, and how they are integrated with other Ministries' international operations.

The Committee felt that feedback from public and private sector representatives, and key international stakeholders, would be essential to assessing the international offices and determining how the network can effectively support Alberta's international goals. The Committee met with representatives from a variety of Alberta sectors – from agriculture and education to energy and high-tech – to gain insight into the directions Alberta organizations and provincial Ministries are moving internationally, and how the international offices can best support these objectives.

In addition to meeting with various stakeholders to gauge Alberta's needs internationally, the Committee also considered global economic trends, such as emerging economies, business realities of new and existing markets, and Alberta's existing international relationships.

The Committee thanks those who participated in roundtable sessions and meetings held in Edmonton, Red Deer, Calgary, and international markets for their valuable comments. This feedback helped steer the Committee in its assessment of the offices and in determining the network's role for Alberta's present and future.

The following report outlines the Committee's findings and recommendations for Alberta's international office network.

State of Alberta's Existing International Offices

Alberta organizations are stretching their wings across the globe, entering traditional American, European and Asian markets, and exploring new markets further afield. In entering these markets, organizations face challenges that are as diverse as the markets themselves. It is clear to the Committee that Alberta's offices abroad are a key tool in setting the stage for Alberta organizations' success internationally. In fact, the international offices are building bridges around the world for the benefit of all Albertans.

It is in the Government of Alberta's best interest to see Alberta organizations succeed internationally. Such success heightens awareness of Alberta, facilitating two-way trade and investment, which stimulates provincial economic growth and development, and provides avenues for global partnerships and a host of international opportunities for Albertans.

As part of the review process, the Committee solicited feedback on Alberta's international offices from the public and private sector, visited a selection of existing international offices, explored potential locations, and met with key stakeholders in international markets. This feedback provided vital information from a user-standpoint on the current services and locations of the international offices, and how the offices can best support the international needs and objectives of Alberta's public and private sectors.

From a user-standpoint, impressions of the international offices and office staff were very positive. Alberta's offices lend legitimacy and profile to Alberta-based organizations, which enhances their ability to do business and build partnerships in those markets. The offices add to Alberta's competitiveness in the marketplace, opening doors and gaining market intelligence that would not be accessible to organizations on their own. They provide a high level of service to Albertans.

Responses indicated that public and private sector representatives find Alberta's international offices to be extremely valuable and integral to their organizations' international success. The consistent on-the-ground support and continual networking ability of the offices is something many Alberta organizations lack the capacity to do on their own, but is necessary for solidifying international relationships. In some cases, interactions depend heavily on government-to-government connections, making these networks virtually impossible for Alberta organizations to access without assistance from Alberta's international offices.

During the feedback process, the Committee was urged by Alberta's public and private sector representatives to consider maintaining or enhancing Alberta's international offices, and expanding the network to new markets. It was made clear that organizations find international markets more difficult to navigate when Alberta does not have representation in the region. Alberta organizations are competing on a global stage, against others at a lower price, against larger organizations with more reach and resources, against national campaigns, and even against other Canadian provinces with

an international presence. As a result, Alberta organizations need the services and support of the international offices to be as competitive as possible. Alberta's international office network can be the competitive advantage, or at least a competitive equalizer.

Strong, collaborative in-market working relationships were identified between the international offices and the local business community, international chapters of the Canadian Chambers of Commerce, Alberta organizations with a presence in the region, and the Canadian government (especially when the Alberta office is co-located in the federal mission). Meetings with these key stakeholders revealed a desire to maintain existing relationships with Alberta's international offices. Canadian government officials also extended offers to assist with developing similar relationships in new markets should Alberta expand its network.

Priority services and initiatives vary from office to office, depending on Alberta's needs and the market in which they are located. While these priorities guide the offices' activities, Alberta's international offices are also known for responding to the requests and evolving needs of Alberta organizations. This responsiveness was deemed of great value to public and private sector representatives.

Alberta's international offices are an essential tool for securing Alberta's economic future in the global marketplace. While energy remains an important sector for Alberta in many markets, it is important that the offices maintain a commitment to promoting Alberta's various industry strengths, from education to advanced industries, particularly in areas of niche technology and expertise. At the same time, the offices must continue to prioritize their efforts, depending on the market and Alberta's primary objectives.

Overall, the Committee is confident in the current structure, locations and mandates of Alberta's existing international offices. Looking at the present and to the future, the business focus of the majority of the offices is of most value to Alberta, with advocacy being an effective focus in specific markets such as Washington, DC.

The current mix of co-located and stand alone offices is appropriate given the markets in which they are located. Costs associated with co-located versus stand alone offices are more or less the same. The main advantage of the stand alone offices is increased flexibility with staffing, accommodating visitors and being able to take unique approaches to helping Alberta companies succeed in the market. The main advantage of co-location is the association with Canada's well established brand recognition and the close working relationship that has been developed with federal trade representatives. The association with the Canada brand, however, has more advantage in certain markets. The Alberta offices in Japan and Hong Kong have operated for the longest period of time, and are therefore well-established in the market and less reliant on the Canada brand. Consequently, the stand alone model is a success in these markets. In newer offices, such as those in Mexico City and London,

the association with the federal government is still beneficial as contacts and networks are being developed.

With respect to resources, the offices have proven their ability to be flexible and responsive, using existing resources to accommodate Alberta's evolving needs and changes in the market. In most cases, except as specified later in this report, the existing offices are adequately resourced to fulfill their current mandates.

The Committee is also satisfied with the level of accountability provided by the current performance measures that assess the offices' achievements on an annual basis. However, as part of the annual reporting process, it may be worthwhile to have an external body conduct a cost-benefit analysis that would assess the financial value of business/leads generated by the offices. A summary of this assessment should be incorporated into the publicly available *International Offices' Activity Report.*

Recommendation #1: It is the Committee's recommendation that a cost-benefit analysis of the international offices be completed as part of the annual reporting process.

Staffing of the Offices

During the review, it became increasingly apparent that the success of each office is dependent on the qualities of the Alberta representative. For the business-oriented offices, the Managing Director provides the day-to-day leadership and direction for the office. As a result, the attributes of the Managing Director effectively become the foundation on which the office's success is built. A strong professional background in international business, solid knowledge of Alberta industries, good working relationships with Alberta organizations, and a clear understanding of Alberta's needs and business climate are necessary to effectively support and drive the office's goals. For instance, current Managing Directors have held international business careers in Alberta's public service during which they developed the skills, knowledge and contacts to be effective representatives in this capacity. Reporting directly to the Assistant Deputy Minister of International Offices and Trade also provides a necessary link to senior government officials, and the Government of Alberta structure that guides and supports the international offices.

In offices with an advocacy mandate, such as the Alberta Washington Office, Alberta's objectives may be best served by a political representative. Political standing is necessary to effectively gain access to key decision-makers, and directly impacts the office's ability to fulfill its mandate.

The existing international office management structure demonstrates the value of having well-qualified leadership in each office with the necessary skill sets to ensure the office is effective for Alberta and can adapt quickly to evolving needs.

Locally engaged staff are also an important component of the staff complement. To be effective, Alberta's international offices need to understand the local market, including its business and cultural nuances. Locally engaged staff can share this first-hand perspective, while providing access to local networks and linguistic skills as necessary. There is also a cost advantage to hiring locally rather than posting numerous personnel from Alberta.

The current mix of language skills among the Managing Directors and locally engaged staff is deemed sufficient. While language skills are an asset, they do not supersede the important skill sets identified earlier for Alberta representatives. However, in the interest of succession planning, it would be beneficial to develop a language skills training program for those individuals in Alberta's public service who are deemed potential candidates for future postings to Alberta's international offices.

The Committee commends the staff of Alberta's international office network on the excellent service they provide to Albertans, and their positive representation of the province around the globe. Feedback on staff was very favorable, indicating they are

well-qualified for their roles, respond to organizations' requests in a helpful manner, and provide a high level of support for Alberta organizations.

Recommendation #2: It is the Committee's recommendation that Alberta continue to hire representatives who have skill sets that reflect the mandate of each international office, to ensure the effectiveness and success of the offices.

Recommendation #3: The Committee recommends International, Intergovernmental and Aboriginal Relations (IIAR) work with Corporate Human Resources to develop a language skills training program for potential candidates for future postings to Alberta's international offices.

Working with Other Government Departments

In addition to their primary responsibilities, the international offices provide assistance to Alberta Government ministries through activities such as business services (market information and intelligence, key contacts, etc.), supporting specific in-market initiatives including Memoranda of Understanding, and assisting incoming and outgoing missions to and from Alberta.

The Committee met with Assistant Deputy Ministers of Alberta Government departments that have international interests to gauge the level and quality of support provided by the international offices, and areas where further support could be provided. Indications were that generally the international offices and government departments interact and work well together, with some departments using the offices more regularly than others. This is especially true for elements of the former Alberta Economic Development, which built a collaborative environment by bringing together the International Offices and Trade, Investment, Film and Tourism divisions that now exist under the respective ministries of International, Intergovernmental & Aboriginal Relations (IIAR), Employment, Immigration & Industry (EII) and Tourism, Parks, Recreation and Culture (TPRC). In-market consultations with Travel Alberta representatives also indicated a strong, beneficial working relationship exists with the international offices. It was also mentioned that the sectoral background of a Managing Director can serve as an added benefit for specific departments.

Some Ministries have identified a need for dedicated in-market assistance beyond what the existing international office staff can provide. In such instances, IIAR and the relevant Ministry may come to an agreement on supplementing the staff complement with a dedicated specialist to address those needs. Associated costs are covered by the relevant Ministry to the maximum they can contribute, and remaining costs are generally absorbed by IIAR. For example, Agriculture and Food sponsors an agriculture specialist in the Mexico office. Similarly, Education supports a locally engaged staff in the Beijing office.

Due to its niche focus, Advanced Education and Technology opted to establish an Education Centre in Guadalajara, Mexico, which is run separately (financially, physically and in reporting structure) from IIAR and the Alberta Mexico Office. However, the two offices maintain contact, with the Alberta Mexico office providing facilitation support as necessary.

Going forward, further interaction between specific ministries and the international offices can be expected as Alberta pursues new internationally-focused initiatives. For instance, Alberta may engage in significant tourism initiatives around the upcoming 2010 Winter Olympic Games in Vancouver-Whistler, and labour attraction activities may extend to a variety of markets in the near future.

While it is recommended that Alberta's international office network be used to support Ministries' international initiatives, it must be acknowledged that the international offices' resources are based on their existing mandates. It should be cautioned to all provincial departments that Ministries requiring significant in-market support to fulfill their own mandates should be prepared to contribute resources. Significant costs associated with new initiatives cannot be absorbed by existing international office resources.

Alberta's international offices represent the province as a whole. To be effective instruments of the province, the offices rely on support from numerous provincial Ministries. Alberta-based staff across Alberta's public service provide a necessary link through which Alberta's international offices access information on Alberta's current dynamics, strengths and needs, and maintain or build connections with Alberta organizations, contacts and networks in all sectors. The support and information provided by in-province staff is imperative for the offices to properly serve their clients. As the international office network is expanded or new services are provided, all Ministries should be cognizant of the important role they play in helping Alberta's international offices service Albertans.

Recommendation #4: It is the Committee's recommendation that provincial departments undertaking international initiatives make use of Alberta's international office network, and contribute resources as necessary.

Enhancing the International Offices

Alberta's international office network provides a broad range of services to Albertans. Feedback indicated the services currently provided by the offices are valuable and should be maintained. The value of the network's services was also affirmed in the results of the *2006-07 International Office Client Satisfaction Survey*, which saw 99% of respondents indicate they would consider using the offices' services again in the future. While no new services were requested during the feedback sessions, suggestions were provided on how international offices can enhance current services to better support Alberta organizations. Many of the enhancements detailed below have to do with day-to-day office operations rather than the overall structure of the international office network. The Committee believes the following are valid considerations for office management to consider while directing their offices.

Service Enhancements:

Organizations find value in the market information and intelligence gathered by the international offices, but the level of detail determines the level of usefulness of the information provided. For instance, more specific information on pricing/environmental/economic/health trends, and rules and regulations would be valuable, as this information is difficult to obtain from Alberta.

The offices also provide information on potential business leads. For a more proactive approach to searching out potential opportunities and specific leads, it was suggested that the offices survey Alberta companies to become more familiar with their niche products, technologies and markets of interest.

Extending the step-by-step support provided as organizations progress beyond introductory meetings (for example, through the process of selecting agents, to signing contracts and letters of credit) would also be beneficial, especially for organizations that are inexperienced in the market. These late-stage details are where new exporters are most likely to falter due to lack of experience and assistance. The Committee recognizes it is not government's role to conduct business on behalf of organizations, but instead to assist and facilitate. Therefore, reasonable adjustments to the step-by-step support could include vetting and providing options for additional in-market assistance, as well as providing specific feedback for market training to Alberta-based trade directors and Alberta's business training centres, such as the Business Link.

Staffing:

Feedback suggested Alberta alumni from the local market may be a valuable resource to consider when hiring locally engaged staff. Having been educated in Alberta, these individuals have an existing knowledge and understanding of Alberta, in addition to the local market. In specific offices where there is a strong sectoral focus, it may be

advantageous to hire locally engaged staff with technical sector expertise to better facilitate communication of Alberta's technical capabilities.

Another suggestion of interest to the Committee was the development of an internship program for post-secondary students planning to embark on international careers. Posting these interns to an Alberta office abroad could provide the office with an affordable staff member who is familiar with Alberta and representative of Alberta's education system, while providing Alberta youth with international experience for their future.

Recommendation #5: The Committee recommends consideration be given to developing a post-secondary internship program with Alberta's international offices.

Raising Alberta's Profile:

A major challenge facing organizations internationally is lack of profile. Alberta organizations are virtually unknown in many markets. Undertaking specific initiatives to raise the province's international profile would provide a larger banner of recognition for Alberta organizations. While raising awareness of Alberta is a broader issue for the Government of Alberta as a whole, some suggestions were made for how the international offices could help enhance Alberta's profile. A common theme was that Alberta needs to market itself better in all sectors, and could use the success of some sectors to bolster recognition of other sectors. For instance, the offices could capitalize on the international spotlight shining on Alberta's oilsands, for the benefit of increasing recognition of the province and its many sectoral capabilities. Another suggestion was that each office host an annual "Alberta Day". An exhibit of *all* Alberta's sectors could provide a backdrop for a reception to which local business representatives would be invited. It was recommended that this event be an annual opportunity to raise the profile of *all* sectors, rather than focusing on just one or two sectors, and that the contingent of Alberta businesses be limited to two or three key business leaders who could convey Alberta's business strengths and realities. Canadian government resources and Alberta private sector resources could potentially be leveraged to support this type of event.

Strengthening Partnerships:

Canadian Government offices abroad are an important partner for Alberta's international offices. In markets where Alberta does not have representation, organizations access the Canadian Government's network of foreign offices for assistance. However, the level of support provided by Canada's offices is restricted by their mandate to provide support to clients from all provinces and territories, limiting their ability to have extensive understanding of Alberta's products, services and needs. While Canadian offices abroad are valuable resources, organizations indicated a preference for the dedicated service, awareness and understanding Alberta's international offices can provide. Feedback also indicated a strong partnership between the Alberta and Canadian offices

is important for providing the best level of service. From a user-standpoint, the current level of collaboration between the Canadian and Alberta offices is seamless and effective. The Committee believes this is due in large part to the co-location model under which most of Alberta's international offices operate.

In addition to maintaining strong relationships with Canadian foreign offices, it was also suggested that where appropriate, Alberta consider partnership opportunities with other provinces or organizations represented in the market. As well, with enough lead time, private sector sponsorship of select events may be possible.

Given the complimentary international objectives of the province of British Columbia, there may be opportunities for Alberta and B.C. to enter into partnerships in the Asia Pacific region. Such partnerships should be considered in any case where Alberta expands its market presence.

Trade, Investment and Labour Attraction:

The increasing need to address Alberta's labour and skills shortages has resulted in some international offices adjusting their workload to support related initiatives. The responsiveness of the offices is commended, but the amount of effort required has reduced some offices' capacity to maintain their trade promotion and investment attraction goals at previous levels.

The reality of this challenge became apparent during the Committee's meetings with the United Kingdom and Germany offices. For example, when the United Kingdom office was re-opened in 2003, it focused primarily on investment attraction (60 percent of workload) and trade opportunities (20-30 percent of workload). By 2005, labour attraction had become a major focus, reducing the office's investment and trade concentration by 20 percent. With Alberta organizations actively turning to the United Kingdom as a potential source for skilled labour, this trend has continued. Labour attraction now takes up an equal portion of the office's attention to investment and trade. As a result, the United Kingdom office has redistributed financial and human resources to accommodate the increasing focus on labour attraction, diverting some resources previously dedicated to investment and trade initiatives.

The Committee recognizes Alberta's international offices need the flexibility to respond to Alberta's evolving needs and priorities. However, when significant new priorities emerge in addition to existing priorities, new resources need to be applied to service those pressures. Redistribution of resources can be acceptable for short-term initiatives, but where concerted, prolonged efforts are required, diverting resources from established priorities may be detrimental to Alberta's long-term goals. Although labour attraction is important, trade and investment initiatives must also be maintained to serve the province's long-term objectives.

Recommendation #6: It is the Committee's recommendation that EII work with IIAR to support the placement of additional personnel in Alberta's United Kingdom and Germany offices to focus on labour attraction initiatives in those regions.

New Labour Attraction Efforts:

Alberta Employment, Immigration and Industry (EII) is currently developing market profiles to determine which markets are best suited for Alberta's targeted labour attraction efforts. The first phase of market profiles has been completed, enabling the department to assess the viability of the following markets for labour attraction efforts: France, Germany, Hong Kong, Korea, Mexico, Netherlands, Taiwan, United Kingdom, United States and Venezuela. Further profiles and assessments are being completed. Rather than duplicate EII's efforts, the Committee is confident the assessments will identify relevant markets for Alberta's labour attraction initiatives.

As new labour attraction markets are determined and targeted initiatives are developed, the Committee believes Alberta's international office network should be used to support in-market initiatives. Where labour attraction is expected to require ongoing efforts, new financial and human resources should be provided to service these initiatives. In appropriate markets where Alberta does not have a presence, establishment of temporary offices or local representation to focus on labour attraction should be considered.

Recommendation #7: It is the Committee's recommendation that Alberta's international offices network be used for labour attraction initiatives in those markets where Alberta has a presence, and additional financial and human resources be provided to offices that are significantly burdened to support labour attraction initiatives.

Expanding the International Office Network

In the global economy, traditional markets are maintaining their dominance, but emerging markets are positioning to rival, and potentially overtake the global mainstays. In this increasingly competitive environment, Alberta organizations are expanding their global reach and venturing into new markets around the world.

Perhaps the strongest criticism of Alberta's international office network is that it is not global enough. Alberta is represented in key markets in the Asia Pacific region, Europe, and North America, but clearly lacks representation in the rest of the world. As a result, Alberta organizations are entering new markets without adequate support, which limits their ability to be successful.

While there is rationale for Alberta to consider establishing offices or representation in numerous locations abroad, the financial implications must be balanced by the potential benefits for Alberta overall. To be effective, the Committee believes the success of each office is dependent on a number of factors, including the level of human and financial resources allocated to it, the quality of staff, access to local business networks, and the Alberta-based support provided by department staff. In areas where the Committee recommends expanding Alberta's presence, additional in-province resources may be required to properly support the work of the international offices.

The Committee has assessed various global markets in light of Alberta's present-day needs and with an eye to preparing for the future. In markets where the Committee has not identified the need to establish permanent representation, consideration should be given to making use of Alberta alumni and expatriates now living abroad. Similar to "Honorary Consuls," former Albertans and alumni may have valuable contacts in global markets, and can be informal representatives for Alberta, having lived and/or been educated in Alberta. This is an inexpensive option for Alberta to develop global relationships that may be beneficial for future growth.

Recommendation #8: It is the Committee's recommendation that further consideration be given to how Alberta can draw on Alberta expatriates and alumni now living abroad.

Asia

Asia is a vast region of potential and existing markets for Alberta organizations. Alberta is well-represented in the Asia-Pacific region, with six offices located in Greater China, Japan, and South Korea. While traditional Asian markets maintain their importance for Alberta organizations, the province lacks representation in other key markets around the world, including India. The Committee believes in maintaining a presence in traditional Asian markets, re-balancing existing resources in China, and exploring new markets of global significance.

China:

China is currently Alberta's second largest international market. With China's increasing prominence on the global stage, and its expected growth over the long-term, the Committee recognizes the importance of maintaining Alberta's presence in the Greater China region. Four of Alberta's six Asian offices are located in Greater China, reflecting the region's vast size and market potential. The Alberta China Office in Beijing oversees the Hong Kong and Taiwan offices, as well as the China National Petroleum Corporation-Alberta Petroleum Centre (CAPC). Together, this team of offices concentrates primarily on trade promotion, investment attraction, and international education.

The density of Alberta's representation in Greater China is especially noticeable when looking at the Alberta China Office and CAPC, both of which are located in Beijing. CAPC was opened in 1989 and is jointly funded and operated by the Government of Alberta and the China National Petroleum Corporation (CNPC). CAPC's role is to promote the transfer of advanced petroleum science and technology, petroleum and environmental science and technology development, and trade between Alberta and China.

The current CAPC agreement is set to expire in February 2009. With the twentieth anniversary of CAPC approaching, the Committee believes the formal relationship between the Government of Alberta and CNPC may have matured to a point where it can be maintained more informally in the context of the Alberta China Office's broader mandate.

Private and public sector feedback indicated that Shanghai, China has emerged as a centre of importance for Alberta organizations in a variety of sectors. Shanghai is undergoing one of the fastest economic expansions the world has seen, and is expected to become East Asia's leading business city. The city's population alone is nearly equivalent to Canada's, having topped 20 million. It is a location where Alberta representation and support would be appreciated by Alberta organizations.

Shanghai offers potential partnering opportunities for Alberta with the Canadian government and other provinces currently located there. Both Quebec and Ontario have offices co-located with the Canadian Consulate General in Shanghai. As well, British Columbia recently hired a representative based in Shanghai.

By concluding the formal CAPC relationship, significant budget would be freed up to establish a Shanghai office, and CAPC staff could be redistributed between Shanghai and the Alberta China Office in Beijing. Any remaining budget could be redistributed to other existing offices or offset the cost of establishing offices in other markets.

Recommendation #9: It is the Committee's recommendation that Alberta's resources in China be redistributed to establish a presence in Shanghai.

India:

India has emerged as one of the world's largest and fastest growing markets. Based on 2006 figures, India's economy is the tenth-largest in the world, when measured in nominal US dollars, but rises to fourth-largest in terms of purchasing power parity. Between 2002 and 2006, its gross domestic product (GDP) grew by an average of 7.6 percent. With a current population of over one billion, India is projected to surpass China as the world's most populous country by 2030.

Alberta has been building relationships with India for decades. For example, the City of Calgary entered a twinning relationship with Jaipur, India in 1973. The University of Calgary is home to the Shastri Indo-Canadian Institute, which brings together numerous academic institutions from both countries (including Athabasca University, University of Alberta and University of Lethbridge) to build awareness and understanding, and facilitate academic activities. The Institute was jointly founded by the Governments of Canada and India, and will celebrate its fortieth anniversary in 2008. In recent years, the Alberta-India relationship has taken on additional prominence, with an increase in visiting delegations between Alberta and India for knowledge exchange and business development.

Over the last five years, India has ranked as Alberta's 26th largest export destination, with average annual exports of $59.4 million CDN and imports averaging $157.4 million CDN over the same period. This level of two-way trade is considerably below its potential.

With the vast size of the Indian market, opportunity abounds for every imaginable sector. Alberta organizations have expressed significant interest in India, especially in the areas of energy/heavy oil, labour, agriculture, information and communications technology (ICT), and education. India also offers access to third markets, such as Southeast Asia and Africa. In fact, some Alberta companies are already taking advantage of this by partnering with Indian companies in other markets.

For more than two decades, Alberta companies have been active in India's energy sector. At this time, of considerable note are the five Alberta-based exploration and production companies that are not just active, but are physically operating in India. These operations help bolster Alberta trade by buying and shipping equipment and technology from Alberta to service operations in India. In 2006, India was the world's fifth largest energy consumer and a net importer of energy. Its energy use is expected to increase rapidly alongside economic growth. India's oil and gas sector is amidst a wave of exploration and production activity, providing immense opportunity for Alberta technologies and expertise in conventional and heavy oil, and coal bed methane. Alberta's strengths in these areas are acknowledged and required by Indian oil and gas

companies, resulting in consistent increases to Alberta exports of oil and gas equipment and services over the past five years. Of particular interest to the Committee is that many of these niche technologies are the product of Alberta's small and medium-sized companies. The province can also build upon existing Indian investments in Alberta, including expertise in research, value-added processing, education and training related to hydrocarbon upgrading. Currently, Alberta-India energy interests are supported by Alberta-based trade staff within IIAR. In addition, the Alberta Research Council has signed a Memorandum of Understanding with India's Ministry of Petroleum and Natural Gas.

While Alberta is most actively engaging India in the energy sector, there are also significant opportunities for other industries. For the province's ICT sector, India boasts six of the top 12 software development centers in the world, and the industry has grown at an average annual rate of approximately 50% per year since 1993. Alberta is also considering the merits of India as a target market for labour attraction.

Agriculture is another area with much potential, leading some Alberta agriculture companies to attend India's premier international agro-technology fair, *Agrotech*. Alberta exports to India have fluctuated from 2002 to 2006, however, government to government interaction is needed to improve the Indian trade environment for Alberta's agriculture companies. It is recognized that such negotiations are the responsibility of the Canadian Government.

Doing business in India requires strong relationships and frequent contact with decision-makers. This is often difficult and costly for smaller and medium-sized enterprises to do successfully on their own. Alberta organizations are currently assisted by Canadian government offices located in New Delhi, Mumbai, Bangalore, Chandigarh, and Chennai. However, the significant size and scope of this market and the level of interest from across Canada limits the federal offices' ability to provide the dedicated level of service necessary for Alberta organizations to be successful.

Albertans will be competing with a variety of players to establish themselves in the Indian market. In addition to the many countries making forays into India, other Canadian provinces are already actively forging relationships in the market. Ontario has an existing presence in India, Quebec is expected to establish representation in the near future, and British Columbia is currently exploring the market as part of its international expansion activities. An Alberta India Office would help level the playing field for Alberta organizations.

The Committee believes there is strong rationale for establishing an Alberta office in New Delhi. Co-location with the Canadian High Commission is the preferred model, as a strong relationship between the Alberta office and Canadian government missions is important in this market. Alberta would benefit from the strength of the Canada brand and access to existing contacts and networks. In addition, Canada and India are actively negotiating on trade and investment market restrictions that impact Alberta organizations. Close proximity would help to ensure Alberta's position is considered

during the negotiations. With British Columbia's exploration of the Indian market being at a similar stage to Alberta's, it may also be advantageous to explore partnership opportunities between the two provinces.

As Alberta's interests in India are largely focused on trade and investment, it is important that the Alberta representative have a strong background in international business, knowledge of the market and solid connections with Alberta industry. Locally engaged staff with a good understanding of local customs and business environment, in addition to technical expertise in priority sectors would also be beneficial.

Recommendation #10: It is the Committee's recommendation that an Alberta office be established in New Delhi, India.

Southeast Asia:

Another area where Alberta currently lacks official representation is Southeast Asia. The Association of South East Asian Nations (ASEAN) of Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam have a combined population of over half a billion, and a GDP (PPP) of approximately $3 trillion US. Vietnam, Singapore, Malaysia and the Philippines were of most interest to Alberta organizations, particularly for agricultural and energy trade opportunities, and labour recruitment. Thailand was also suggested as a potential base from which Alberta could access the ASEAN nations and develop local trade opportunities.

At present, IIAR trade directors provide support to Alberta organizations engaging this region. As well, EII is considering the relevance of specific markets in Southeast Asia for targeted labour recruitment initiatives. Although there is potential for developing stronger ties in the region, the Committee does not believe it is a priority location for establishing a formal office at this time. However, Alberta should continue developing relationships with Southeast Asia.

<u>European Union</u>

Alberta's European interests are currently served by two international offices, located in London, United Kingdom (UK) and Munich, Germany. Both markets continue to be vital for Alberta's trade, investment and labour attraction interests in Europe.

Central Europe:

Labour attraction initiatives have become a major focus for Alberta's European offices in the UK and Germany. It was noted that many European countries are looking to former Eastern Bloc countries as sources of labour, such as Poland and the Czech Republic. The Committee is confident that EII's market profile assessment process is considering

the value of extending labour attraction initiatives to other locations within Europe, and will work with Alberta's international offices to service relevant markets.

European Union:

Public and private sector representatives raised the idea of Alberta establishing a presence in Brussels, Belgium, the seat of the European Union (EU). Similar to the Alberta-Washington office, the rationale for Belgium representation would be to keep abreast of EU policy and political shifts, and advocate on behalf of Alberta. The EU is one of the world's economic powers and influences trade across the globe. Its regulatory measures, standards and certifications directly impact Albertans doing business in the EU market. It is also a major entity in the World Trade Organization (WTO) negotiations, and can sway global policy directions. For example, countries around the world are taking notice of the EU's directives on environmental issues.

The Committee believes there is merit for further consideration of Alberta representation with an EU focus. Neither of Alberta's existing European offices has resources dedicated to monitoring or engaging the EU as a whole. Bearing in mind that Alberta does not have state status comparable to EU members, consideration must be given to whether an Alberta representative could effectively advocate on behalf of Alberta. Alberta's non-state status may reduce the accessibility for an Alberta representative to influence EU decision makers. However, if it is determined that an Alberta representative could be effective in this capacity, it may require the representative have political stature.

Recognizing that establishing an office requires significant resources for infrastructure alone, if advocacy is a viable option, the representative could be based out of the UK or Germany office rather than located in Brussels. A more economical approach may be to supplement the staff complement in either the UK or Germany office with the addition of an EU policy monitor rather than an advocacy representative. This position could be filled by a locally engaged staff to minimize costs.

Recommendation #11: It is the Committee's recommendation that consideration be given to establishing an Alberta-EU representative or regionally-based EU policy monitor.

Germany:

While London is an obvious choice as a business and financial centre from which Alberta's interests can be well-served in the United Kingdom, the Committee considered the merits of relocating Alberta's Germany office from Munich to Berlin. In meeting with German stakeholders it became clear that Munich remains the ideal location for the Alberta Germany Office. Berlin does not have the same level of business activity as Munich for facilitating Alberta's trade and investment objectives, which are the primary objectives of the office. Although many labour attraction initiatives take place in Berlin, the existing office in Munich maintains a close working relationship with the Canadian

Embassy in Berlin. As a result, the current office location does not inhibit the success of Alberta's labour attraction activities. The Committee also received assurances from the Canadian Embassy and Consulate of their interest in continuing the strong relationship with Alberta's Germany Office.

Life Sciences, nanotechnology and alternative energy are emerging sectors of importance for Alberta in the German market. Germany is a centre of research in nanotechnology and alternative energy, from which knowledge and partnerships could be harnessed to assist in the development of Alberta's capabilities. IIAR and Advanced Education and Technology may choose to further consider the value of adding a locally-engaged specialist or contractor in Germany to facilitate these areas.

Eurasia

Over the last decade, former states of the Soviet Union have undergone significant transition, limiting Alberta's activity in the region. From 1993 through 1996, Alberta had an official office in Tyumen, Western Siberia. While the office was considered to be effective, it was closed as Alberta companies' level of trade and investments with Russia decreased during the country's difficult transition to a market economy. More recently, Russia and other countries in the region, such as Kazakhstan, have become markets of interest once again for Alberta organizations.

Russia:

In recent years, Russia has begun enacting and enforcing new legislation, resulting in Alberta companies resuming activities in the country. Russia was Alberta's 15th largest export market between 2004 and 2006. Since 2000, Russia's economy has consistently expanded, with its nominal GDP growing by approximately 6.7% in 2006 alone. Russia is ranked as the world's eleventh largest economy based on nominal GDP, but in terms of purchasing parity becomes the world's eighth largest market. It is expected to become one of the world's leading economies of the future.

Alberta and Russia have been developing a strong bilateral relationship for decades. The relationship has long been grounded in the energy sector, with Alberta-based companies involved in the Russian oil patch since the 1970s. Between 1992 and 1997, three twinning agreements were established between Alberta and Tyumen Oblast, Khanty-Mansii and Yamal Nenets in Western Siberia, all of which are strong oil and gas regions.
The Alberta-Russia relationship has also been fostered by Alberta's participation in governance and training programs, as well as through mutual membership with thirteen Russian regional governments in the Northern Forum. In addition, Alberta has participated in various development programs in Russia aimed at governance reforms and training.

As in the past, energy remains Alberta's primary interest in the Russian market. Outside of the Organization of the Petroleum Exporting Countries (OPEC), Russia is the leading producer and exporter of crude oil and natural gas in the world. Comparatively, Alberta and Russia's oil reserves are the second and eighth largest in the world, respectively, and vast areas of central and northern Siberia have yet to be explored to identify potential reserves. Alberta's expertise in northern oil and gas production and technologies is valued by Russia, given its northern climate. Opportunities exist for Alberta's energy companies in oil and gas equipment, services and training, as well as sharing expertise in production, upgrading and heavy oil.

Agriculture is another sector with solid potential for Alberta. In 2006, Alberta's agri-food exports to Russia tripled in value to $23.81 million CDN, with pork and processed meats leading the charge. Alberta agriculture companies have already entered into various initiatives in Russia, including a joint venture feedlot operation near Moscow. The Russian market also provides tremendous potential for genetics.

Alberta organizations have indicated opportunities also exist for the education, environmental and ICT sectors. Some organizations now maintain offices in Moscow.

Small and medium-sized companies are likely to face challenges when entering the Russian market. Business in Russia is conducted through personal relationships and requires ongoing contact. Access to market intelligence is dependent on informal networking. Russia's continued development toward a market-oriented economy and evolving government regulatory system can be difficult to navigate. As a result, small and medium-sized companies need additional support to facilitate successful ventures. Currently, Alberta companies are primarily assisted by the Canadian Embassy in Moscow, which serves Russia, Armenia and Uzbekistan. However, given Alberta's industry strengths, and the increasing presence of Alberta organizations in Russia, a dedicated Alberta trade and investment office would provide a stronger level of support for Alberta organizations in this market. The office could also provide support for Alberta organizations engaged in neighbouring Kazakhstan, and would be assisted by Alberta-based trade staff currently servicing the region.

The proposed trade and investment focus of the Alberta Russia Office requires that Alberta's representative have a strong background in international business, knowledge of the market and established connections with Alberta industry to successfully lead the office. Locally engaged staff with a good understanding of local customs and business environment, in addition to technical knowledge of the energy industry would also be beneficial.

While co-location with the Canadian Embassy in Moscow would be ideal, the ability to do so depends on available space at the Embassy. A second option would be for an Alberta Russia Office to be co-located with another Alberta organization already present in Moscow. Given the high costs of operating in Moscow, a third option would be to have a Russia-specific trade and investment representative based out of the Alberta Germany or UK office, if travel costs do not outweigh the anticipated cost-savings.

Recommendation #12: It is the Committee's recommendation that Alberta establish representation dedicated to serve the Russian market.

Middle East

The Middle East is another region where Alberta organizations are currently active, without the support of a dedicated Alberta presence. For example, Alberta's environmental companies are partnering internationally to pursue opportunities in the Middle East, and recently the University of Calgary established a nursing program in Qatar.

United Arab Emirates:

Within the region, Dubai, United Arab Emirates (UAE) was touted by Alberta's private and public sector representatives as an ideal base for an Alberta presence in the Middle East. This location is of interest to organizations from across a variety of sectors, including agriculture, education, energy/energy technologies/heavy oil, and environment. It was also noted to be a key transshipment and distribution point for the region. Kuwait was mentioned as a second possibility for serving the same sectors.

Between 2004 and 2006, the UAE ranked as Alberta's 16th largest export market. The UAE provides an access point for Alberta companies interested in serving a vast region, from the Persian Gulf and Middle East to South Asia, Eastern Europe and Africa. The city of Dubai is considered the commercial hub of the region, and boasts strong transportation and logistics channels, in addition to access to free-trade zones.

Albertans are currently served by the Canadian Embassy in Abu Dhabi and the Canadian Consulate in Dubai, which together provide assistance on commercial opportunities for trade and investment in multiple sectors, including agri-food, education, ICT, oil and gas and various service industries. Currently, Alberta-based trade staff also provide support to Alberta's energy industries and services companies engaged the region.

The Committee recognizes the Middle East as a region with much potential for trade and investment opportunities. Alberta would be the first Canadian province to establish an official presence in the Middle East, providing a strategic advantage for the province's organizations. While the UAE appears to be a stable base from which Alberta could develop relationships in the Middle East and Africa, ongoing tensions in nearby countries cause the Committee to believe further due diligence is required to accurately assess the stability of the broader region and its implications for a formal Alberta presence in the region.

Recommendation #13: The Committee recommends the Middle East be more thoroughly examined as a potential location for establishing an Alberta presence.

North America

North America is Alberta's home-base for international activities. The proximity and accessibility of the United States and Mexican markets provides Albertans with a relative sense of ease and comfort when compared with other international markets. Alberta's existing North American representation is the trade and investment focused office in Mexico City, and the advocacy office in Washington, D.C., both of which effectively address Alberta's needs in their markets. The province is also well served by Alberta based trade and investment directors supporting these regions.

Canada:

Alberta organizations, including the Government of Alberta, frequently send representatives to meet with the federal government in Ottawa. Public and private sector representatives indicated that Alberta needs to more effectively gain the attention and understanding of the federal government, particularly when Alberta issues could be more broadly considered as national issues or opportunities. Alberta representation in Ottawa would maintain more frequent and direct relations with the federal government on an ongoing basis, advocating on issues of importance to Alberta. While Ottawa is not international per se, it is an important hub for international representation. Alberta's representative could engage the Embassies and High Commissions located in the national capital region to facilitate further development of international business opportunities. As the Alberta-Ottawa representative would need to m t with high-level political and diplomatic dignitaries to be effective, Alberta may be best served by a political representative in this office

Recommendation #14: A previous decision was made to establish an office in Ottawa and it is the Committee's recommendation that the decision to do so be implemented at the earliest opportunity.

Central America:

Alberta's closest representation to Central American markets is the Mexico City office, which focuses primarily on agriculture, energy and education interests within Mexico. Currently, the office does not significantly extend its reach into Central America.

When compared with other global markets where Alberta lacks representation, Central America does not garner significant interest from Alberta's public and private sectors to require the immediate addition of an office or personnel to service the region. In due time, there may be an increased need to consider adding human and financial resources to the Alberta Mexico Office to service Central American markets. However, the Committee does not believe this should be a priority at this time.

United States:

The United States (US) presents a unique situation for Alberta. Unlike other markets where the Canada brand is a necessary door-opener, Alberta has notoriety of its own in the US. Many US companies are active in the province, and numerous Alberta organizations have existing partnerships and relationships with US counterparts. Its proximity and similarities provide Alberta organizations with a comfort level to explore and service the market from their Alberta-base, often with minimal disruption to day-to-day business operations. While business regulations can vary from state to state and border issues can be challenging, American business culture does not generally seem "foreign" to Albertans.

Proximity is a major reason that Alberta no longer has a trade and investment office in the U.S. Relatively short distance makes it more affordable for Alberta-based trade and investment directors to frequently access the market to build and maintain strong relationships and gather market intelligence, without the infrastructure costs or geographic restrictions of a dedicated office. Alberta's close working relationship with the numerous Canadian government offices located throughout the US has enhanced the effectiveness of this approach. In some cases, in-market contractors have been hired by the Alberta Government to coordinate specialized activities, provide specialized assistance or gather more detailed market intelligence.

US - California:

The US West Coast is an area where Alberta public and private sectors indicated an increased Alberta presence could be helpful. California represents the world's sixth largest economy, and arguably has the most investment capital in the world. For instance, in the first two quarters of 2007, 48.5 % of US venture-backed deals (by dollars invested) were made in California. Approximately 40% of US venture funds are resident in Northern California. Some of the world's largest and leading-edge research institutes, high-tech and life sciences companies are based or active in the state. In the broader US context, California is a leader, influencing the actions and directions of other states.

As the epicenter of global ICT and life sciences industries, California presents strong opportunities for Alberta's developing high-tech and life sciences sectors. Alberta companies could benefit from joint ventures, partnerships, research liaisons, and access to the marketing and distribution chains of major companies, such as Intel, Apple and Oracle. California is also a primary source for technology commercialization, management, entrepreneurial and business expertise, which could help Alberta businesses develop, and accelerate their technology commercialization. The constant evolution of technology requires ongoing interactions with leading developers and researchers for Alberta companies to stay abreast of the direction of next-generation technology.

On the education front, California is home to leading private universities, such as Stanford, that have played an instrumental role in creating the knowledge commercialized in Silicon Valley. Through long-term relationships and new initiatives such as the Canada California Strategic Innovation Partnership initiative, which brings together the University of California and top Canadian Universities (including the University of Alberta and the University of Calgary), many high quality research collaborations are underway.

The US West Coast also boasts one of the largest reservoirs of international high-quality graduate students. While the state's post-secondary institutions are educating numerous foreign students in knowledge industries, the state's current immigration policies restrict the retention of these graduates as workers. As a result, Alberta may be able to recruit from the knowledge-based workforce that California is turning away.

Establishment of an Alberta presence in California also has potential for Alberta's tourism and film industries. The state is Alberta's second largest source of US visitors. As well, Alberta is committed to facilitating the development of new partnerships between film producers in Alberta and California.

Alberta's agriculture, energy, and environmental sectors would also benefit from a more established presence in California. Alberta's top exports to California include natural gas, petrochemicals, and beef. In fact, agri-food exports have made California the province's largest agri-food market in the US. The state is also a strong advocate of clean technologies and environmental activities, in which Alberta has and continues to develop expertise.

The Silicon Valley area is a very competitive environment where business moves forward quickly. However, it is also an expensive place to establish and maintain a presence, making it difficult for Alberta's small and medium-sized companies to do so on their own. British Columbia, Ontario and Nova Scotia have each established a presence in the Silicon Valley/San Francisco Bay area, as have numerous international contingents, including Switzerland, Mexico and Finland. Without an ongoing presence and constant relationship building, Alberta's advanced industries will be left behind.

California presents an opportunity for Alberta to have a stand-alone office with a strong business and partnering focus. As with other trade and investment focused offices, the Alberta representative for a California office would require a strong background in international business, knowledge of the market and established connections with Alberta industry to successfully lead the office. Given the proximity to Alberta and the vast interest in the market from a variety of sectors, there is also much opportunity to service specific niches, such as facilitating research partnerships and knowledge exchange by hiring locally engaged staff or contractors. California boasts approximately 300,000 Canadian expatriates, of which a significant number are former Albertans. It may be possible to find qualified candidates within this pool for locally engaged positions requiring specific sectoral expertise and knowledge of local contacts.

Maintaining relationships with the Canadian government offices in the region would be valuable, though co-location is not necessary in this instance. Rather than capitalizing on the *Canada* brand, Alberta is in a position to promote the *Alberta* brand in this market. Such promotion will require resources dedicated to raising Alberta's profile.

Under the stand-alone model, Alberta should consider establishing office space that presents a "crossroads venue." For instance, sharing office space with a law firm or venture capital firm may provide significant leveraging opportunities that are especially valuable in this market. It is also recommended that Alberta establish an office with space to accommodate specialized locally engaged staff similar to the education or agriculture specialists in the Beijing and Mexico offices. It may also be beneficial to have additional space within the office to facilitate regional outreach across the western US, or to accommodate contractors, visiting researchers, government and industry representatives that access the region. Consideration could be given to leasing this space to Alberta organizations for intermittent use.

Recommendation #15: It is the Committee's recommendation that an Alberta office be established in the Silicon Valley/Bay Area of California.

South America

South America holds significant potential for Alberta, and many Alberta organizations are active or would like to become active in the region. However, there is some hesitancy for organizations to enter the region without support, given the sudden political and economic shifts that have occurred in some markets, and the challenges posed by different cultural and business norms and regulations. Likewise, political and economic stability is an important factor in the Committee's choice of recommended location for an Alberta presence.

Brazil:

Brazil is a market of ample opportunity in its own right, providing a solid base for Alberta's initial entrée into South America. Brazil is the largest country in South America, both by size and population. In global terms, it is the world's fifth largest country, and its economy is the 10th largest nominally. Within the South American context, Brazil has a solid and stable democratic government, which has positively impacted the country's economy. It borders 10 of the 12 remaining South American countries and is a key member of the MERCOSUR free trade zone, which includes Argentina, Paraguay, Uruguay and Venezuela.

Brazil, along with Russia, India, and China, is expected to become one of the world's dominant economies. To position Alberta for the future, the Committee believes Rio de Janeiro, Brazil is the ideal location for Alberta to establish its initial official presence in South America. Over time, Brazil could become a springboard for Alberta into other

South American markets. Logistically, it also provides a gateway to African countries such as Nigeria or Brazil's sister Portuguese colony, Angola.

Like Alberta, Brazil is resource-rich, and is increasingly becoming an important oil and gas producer. The expansion and privatization of Brazil's oil and gas sector has resulted in a demand for equipment and services for seismic exploration, production platforms, oil and gas pipelines and refineries. In addition, heavy oil accounts for nearly 80% of all oil produced in Brazil, and the country has significant heavy oil reserves for development, which is an area of strength and expertise for Alberta's energy sector. In fact, Petrobras, Brazil's leading energy company, recently started the groundwork for construction of the Abreu e Lima refinery, which will be the first to process 100% heavy oil. Operations will start in the second half of 2010. This in itself presents significant opportunities for Alberta companies.

The experience and expertise of Alberta's energy sector is a good fit for the Brazilian market. Alberta organizations have begun to recognize their potential role in the development of Brazil's energy sector. Since 1998, several Alberta companies have participated in oil and gas missions to Brazil, and the number of Brazilian missions to Canada has significantly increased. Last year, *Brazil Onshore 2006* was the country's first international event dedicated to oil production in onshore fields. Canada had the only foreign delegation, the majority of which were Albertans, and contributed enormously to the high level of both business development and technical sessions, through the participation of the Heavy Oil Alberta Project and Canadian Heavy Oil Association. Having the first edition of an event totally dedicated to onshore operations is a clear demonstration that Brazil intends to revitalize its onshore industry. The fact that only about 4% of the country's sedimentary basins are known indicates there are vast new opportunities yet to be explored.

A number of Alberta exploration and production companies have signed Memoranda of Understanding with Petrobras to investigate joint venture opportunities. The company has operations or activities throughout the continent, including Argentina, Bolivia, Colombia, Chile, Venezuela, Ecuador, Peru, Uruguay and Paraguay. It is also active in other key energy markets of interest to Alberta, such as Mexico, the Middle East and Africa.

Petrobras is a rare success story among state-owned oil companies as they play a growing role in an energy-hungry world. Today, Petrobras boasts more crude reserves than Chevron Corp., lower costs of finding oil than Exxon Mobil Corp., and a listing on the New York Stock Exchange, with a market value of approximately $130 billion US. Petrobras is considered one of the most effectively run and most open companies within Latin America. Further strengthening Alberta's relationship with Petrobras would provide Alberta companies with business opportunities throughout South America and into other regions of the world where Petrobras has business units and relationships.

In terms of alternative energy, Brazil produces almost half the total amount of bio-ethanol in the world and is the world leader in the production of biofuels, which is an

area Alberta is actively developing. Brazil is also taking a stronger interest in environmental concerns, providing potential for Alberta's environmental services sector.

While Brazil's developing energy sector is clearly a strong area of opportunity for Alberta, other sectors also hold potential. Alberta's ICT sector is already a main contributor to Alberta-Brazil two-way trade. Brazil has the largest telecommunications market in South America and is the ninth largest Internet market in the world, with significant potential for e-commerce initiatives.

Alberta's educational institutions have been developing linkages with Brazil in recent years, leading to Memoranda of Understanding between universities. Canada is now the number one foreign destination for Brazilian students.

Alberta's agricultural and biotech sectors also have an interest in the Brazilian market and it is being considered as a potential source of skilled labour.

The province of Rio de Janeiro is the oil and gas capital of Brazil. Many of Brazil's largest companies, including Petrobras, have head offices in Rio de Janeiro, making it the logical location for an Alberta office to focus on trade and investment opportunities. The city of Rio de Janeiro also provides easy access to São Paulo for engaging additional investment opportunities present in that city.

To support the business focus of the office, Alberta's representative must have a strong background in international business, knowledge of the market and solid connections with Alberta industry. Locally engaged staff with a good understanding of local customs and business environment, in addition to technical expertise with the energy sector may also be beneficial. Given the complexities of the regulatory system in Brazil and the reliance on networks, a strong in-market relationship between Alberta and the Canadian government is important. Therefore, it is recommended that the Alberta office be co-located with the Canadian Consulate in Rio de Janeiro.

In an effort to establish the high level of service Albertans have come to expect from their offices abroad, the Committee cautions against trying to service the entire South American region through the Alberta Brazil Office. While South America as a whole presents many opportunities for Alberta organizations across a variety of sectors, Brazil is a vast market on its own. It will take time for the office to establish itself, its network of relationships, and its knowledge of opportunities within the Brazil market. Once the office has matured, expansion of services to include additional South American markets could be considered.

Recommendation #16: It is the Committee's recommendation that an Alberta office be established in Rio de Janeiro, Brazil.

Summary of Recommendations

The following recommendations are listed in the order they appear in the preceding report, rather than in order of precedence.

Recommendations Related to the Expansion and Redistribution of Resources Allocated to Alberta's International Office Network

10. An Alberta international office be established in India.
15. An Alberta international office be established in California.
16. An Alberta international office be established in Brazil.
12 Alberta establishes representation dedicated to serve the Russian market.
9. Alberta's international Office resources in China be redistributed to establish a presence in Shanghai.
11. Consideration be given to establishing an Alberta-EU representative or regionally-based EU policy monitor.
13. The Middle East be more thoroughly examined as a potential location for establishing a future Alberta presence.
14. .Follow through at the earliest opportunity to implement the decision to place an Alberta representative in Ottawa.

Recommendations Related to the Efficient Operations of Alberta's International Office Network

1. A cost-benefit analysis of the international offices be completed as part of the annual reporting process.
2. Alberta continue hiring representatives who have skill sets that reflect the mandate of each international office, to ensure the effectiveness and success of the offices.
3. IIAR work with Corporate Human Resources to develop a language skills training program for potential candidates for future postings to Alberta's international offices.
5. Consideration be given to developing a post-secondary internship program with Alberta's international offices.

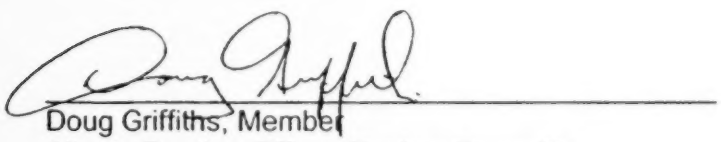
Recommendations Related to the Coordination and Scope of the Government of Alberta's International Activities.

4. Provincial departments that undertake international initiatives should make use of Alberta's international office network, and contribute resources as necessary.
6. EII work with IIAR to support the placement of additional personnel in Alberta's United Kingdom and Germany offices to focus on labour attraction initiatives in those regions.
7. Alberta's international offices network be utilized for labour attraction initiatives in those markets where Alberta has a presence, and additional resources (human and financial) be provided to offices that are significantly burdened to support labour attraction initiatives.
8. Further consideration be given to how Alberta can draw on Alberta expatriates and alumni now living abroad.

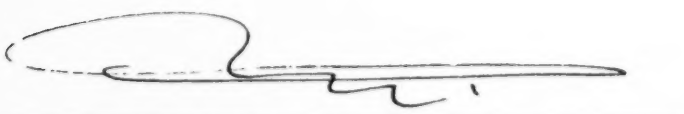
Submitted by:

Pearl Calahasen, Chair
Alberta Foreign Offices Review Committee
MLA, Lesser Slave Lake

Clint Dunford, Member
Alberta Foreign Offices Review Committee
MLA, Lethbridge-West



Doug Griffiths, Member
Alberta Foreign Offices Review Committee
MLA, Battle River-Wainwright



Thomas Lukaszuk, Member
Alberta Foreign Offices Review Committee
MLA, Edmonton Castle Downs